



# **STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN**

Financial Statements  
for the year ended December 31, 2020

**and independent auditors' report**

# STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

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# STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the financial statements of State Bank for Foreign Economic Affairs of Turkmenistan (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at December 31, 2020, the results of its operations, cash flows and changes in shareholders' capital for the year then ended, in accordance with International Financial Reporting Standards ("IFRS") and requirements set by the Central Bank of Turkmenistan on the financial statements of banks and finance-credit institutions.

In preparing the financial statements, management is responsible for:


- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with legislation, accounting standards of Turkmenistan and requirements set by the Central Bank of Turkmenistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended December 31, 2020 were approved and authorized for issue on September 20, 2021 by the Management of the Bank.

**On behalf of the Management:**

  
**Jepbarov R.J.**  
**Chairman of the Board**

September 20, 2021  
Ashgabat, Turkmenistan



  
**Myradova E.**  
**Chief Accountant**

September 20, 2021  
Ashgabat, Turkmenistan

## INDEPENDENT AUDITORS' REPORT

To the Management of State Bank for Foreign Economic Affairs of Turkmenistan:

### Opinion

We have audited the accompanying financial statements of State Bank for Foreign Economic Affairs of Turkmenistan (the "Bank"), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkmenistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matters

#### How we addressed the matter

##### Adjustments for expected losses on loans

Management's assessment of the indicators of impairment and determining expected losses on loans to customers is a complex process that involves the use of estimates and judgment. In order to determine the expected loss provisioning requirements for loans, the Bank applies a statistical model that uses parameters determined both internal and external parameters.

In accordance with IFRS 9 Financial Instruments, the Bank distinguishes between three stages of depreciation, based on classification criteria that take into account both objective characteristics of the loans and the borrowers, and subjective estimates of the Bank.

Our audit procedures included among others to obtain a detailed understanding of the methodology for calculating the depreciation of the loan portfolio, we assessed the adequacy of the Bank's methodology for identifying depreciation loan portfolio and establish expected credit loss. Thus, we analyzed the macroeconomic scenarios and related indexes, criteria for staging receivables and assessed models for determining credit risk parameters and quality of data used. For this purpose, we used specialist experts in the field.

We also reviewed the quality of the historical data used in the calculation of credit risk parameters.

Classification credits stages of impairment is the result of the interplay of several factors:

- The comparison between the probability of default to the date of grant and the date of the financial statements;
- Limits established by law, for example the 90 days delay;
- Other factors that are relevant to the Bank, for example threshold for individual analysis.

Expected losses are calculated based on historical data and macroeconomic forecasting elements.

The statistical model used to determine the expected loss on loans to customers is based on the probability of default and the estimated value According to Note 10 "Loans to customers" and Note 20 "Risk management policies" in the financial statements, the Bank recorded provisions for impairment in value of 313,376 thousand manat for consumer and corporate loans granted on the gross amount of 17,269,641 thousand manat.

Because of the importance of these judgments and the volume of loans to customers, impairment of loans to customers is a key aspect of the audit.

#### **Loans received from banks and other financial institutions**

As at December 31, 2020 and 2019 the amount of loans received from banks and other financial institutions was equal to 14,551,510 thousand manat and 15,139,976 thousand manat, respectively.

The Bank is obliged to comply with a number of financial covenants related to its lending activity. During the assessment of applicability of going concern basis to its activity, Bank's management takes into account the financial position of the Bank and compliance with various covenants.

The Bank's management believes that the Bank has sufficient resources for continuing its economic activities in the foreseeable future, and will be able to pay off its obligations within its regular activities. Therefore, preparation of financial statements based on going concern basis is appropriate.

We believe this matter is a key audit matter due to the importance of these judgments and the volume of loans received.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease

In addition, we evaluated the design and operating effectiveness of internal controls implemented by management in the computation of provisions, including:

Checks for timely identification of indications of impairment, if any

Checks on regular reviews by management, the calculation results for the impairment of loans and related provisions.

We performed substantive procedures on a sample of loans to check their classification and to identify any indications of impairment and if necessary additional provisions for impairment. We applied professional judgment to evaluate the factors to be taken into account in determining the loss of value and compared the results with those of the Bank. We evaluated the impact of economic conditions, the collaterals, and other factors that may affect the recoverability of loans.

We assessed the completeness and adequacy of the Bank's financial statements disclosures on loans to customers.

In our assessment of using going concern basis assumption we focused our attention on the Bank's ability to meet its obligations on time, as well as on the Bank's compliance with the terms of the loan agreements.

Our procedures included the following:

- Analysis of the general financial position of the Bank and its ability to timely repay obligations;
- Checking the terms of agreements on loans received;
- Verification of the Bank's compliance with all covenants under the terms of loan agreements;
- Analysis of the exemptions received from compliance with a number of covenants.

We have as well assessed the relevancy of the Management's judgments and the correctness of the presentation of financial statements and its disclosures.

operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also perform the following:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Other aspects

This report, including the opinion of the auditor, was prepared and intended for information and use by the Bank's management. To the maximum extent permitted by law, the audit was carried out in order to provide all the information required in the audit report and not for any other purposes. We are not responsible for the use of information for other purposes or by other users who may ever become familiar with this report.

Auditor: 

Autoritatea pentru Supravegherea Publică a  
Activităților de Audit Statutar (ASPAAS)  
Auditor financiar: BAKER TILLY  
KLITOU AND PARTNERS S.R.L.  
Registrul Public Electronic: FA 384

**Baker Tilly Klitou and Partners SRL**  
**Registered in the Public electronic register of**  
**auditors and audit firms under FA384**

**September 20, 2021**


# STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Turkmen manat)

	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income	4	1,032,096	1,278,626
Interest expenses	4	(789,775)	(912,084)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS		242,321	366,542
Accrual of allowance for expected credit losses on interest bearing assets	5	32,360	(71,249)
NET INTEREST INCOME		274,681	295,293
Commission income	6	90,328	95,841
Commission expenses	6	(56,862)	(78,168)
Income from investments	11	2,575	4,673
Accrual of allowance for impairment losses on other assets	5	415	(3,639)
Net gain on foreign exchange operations		10,002	9,337
Other expenses, net		(13,440)	(28,844)
NET NON-INTEREST INCOME		33,018	(800)
Operating expenses		(37,115)	(39,280)
PROFIT BEFORE INCOME TAX		270,584	255,213
Income tax	7	(44,126)	(75,579)
NET PROFIT FOR THE YEAR		226,458	179,634
Change in revaluation reserve		621	625
TOTAL COMPREHENSIVE INCOME		227,079	180,259

On behalf of the Management:

  
Jepbarov R.J.  
Chairman of the Board

September 20, 2021  
Ashgabat, Turkmenistan

  
Myradova E.  
Chief Accountant

September 20, 2021  
Ashgabat, Turkmenistan

The notes on pages 12-55 form an integral part of the financial statements. The Independent Auditors' Report is on pages 3-6.




# STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

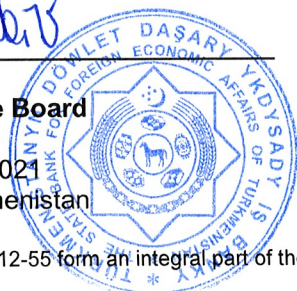
(in thousands of Turkmen manat)

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS:</b>			
Cash and cash equivalents	8	5,046,851	6,150,984
Due from banks	9	10,274,669	10,851,581
Loans to customers	10	16,454,630	16,581,178
Investments	11	226,608	144,293
Property, plant and equipment		59,158	62,532
Intangible assets		9,799	10,903
Investment property		1,608	1,644
Non current Assets held for sale		-	27,696
Advances paid for capital construction		31,208	56,270
Deferred tax asset	7	20,936	10,454
Other assets		90,212	52,028
<b>TOTAL ASSETS</b>		<b>32,215,679</b>	<b>33,949,563</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES:</b>			
<b>LIABILITIES:</b>			
Due to banks	12	370,347	639,727
Customer accounts	13	15,890,466	16,972,360
Loans received from banks and other financial institutions	14	14,551,510	15,139,976
Current tax liabilities		11,499	51,121
Other liabilities		41,011	21,991
		30,864,833	32,825,175
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	15	792,373	690,062
Revaluation reserve		18,960	19,581
Retained earnings		539,513	414,745
		1,350,846	1,124,388
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>32,215,679</b>	<b>33,949,563</b>

On behalf of the Management:

  
Jepbarov R.J.  
Chairman of the Board

September 20, 2021  
Ashgabat, Turkmenistan



  
Myradova E.  
Chief Accountant

September 20, 2021  
Ashgabat, Turkmenistan

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# STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Turkmen manat)

	Notes	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at January 1, 2019		592,508	20,206	332,040	944,754
<b>Comprehensive income</b>					
Profit for the year		-	-	179,634	179,634
Change in revaluation reserve		-	(625)	625	-
<b>Total comprehensive income</b>		-	(625)	180,259	179,634
<b>Transactions with owners</b>					
Increase in share capital		97,554	-	(97,554)	-
<b>Total transactions with owners</b>		97,554	-	(97,554)	-
Balance at December 31, 2019	15	690,062	19,581	414,745	1,124,388
<b>Comprehensive income</b>					
Profit for the year		-	-	226,458	226,458
Change in revaluation reserve		-	(621)	621	-
<b>Total comprehensive income</b>		-	(621)	227,079	226,458
<b>Transactions with owners</b>					
Increase in share capital		102,311	-	(102,311)	-
<b>Total transactions with owners</b>		102,311	-	(102,311)	-
Balance at December 31, 2020	15	792,373	18,960	539,513	1,350,846

On behalf of the Management

  
Jepbarov R.J.  
Chairman of the Board

September 20, 2021  
Ashgabat, Turkmenistan



  
Myradova E.  
Chief Accountant

September 20, 2021  
Ashgabat, Turkmenistan

The notes on pages 12-55 form an integral part of the financial statements. The Independent Auditors' Report is on pages 3-6.

# STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

(in thousands of Turkmen manat)

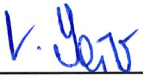
	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax expenses		270,584	255,213
Adjustments for:			
Net interest income	4	(242,321)	(366,542)
Accrual of allowance for expected credit losses	11	(32,360)	71,249
Depreciation of property, plant and equipment and intangible assets		5,913	5,914
Income from investments		(2,575)	(4,673)
Depreciation of investment property		36	35
Foreign exchange differences		(2,506)	(440)
Cash flows before changes in working capital		(3,229)	(39,244)
Changes in operating assets and liabilities:			
Decrease/(increase) in due from banks		1,258,084	(1,033,479)
Decrease in loans to customers		469,505	1,399,471
Increase in obligatory reserve in CBT		(53,993)	(32,690)
Decrease/(increase) in other assets		(38,219)	7,113
(Decrease)/increase in customer accounts		(1,091,856)	214,608
(Decrease)/increase in due to banks		(287,540)	139,606
Increase/(decrease) in other liabilities		19,020	(12,718)
Cash inflow from operating activities before taxation and interest		271,773	642,667
Interest received		1,010,836	1,259,189
Interest paid		(827,879)	(937,752)
Income tax paid		(94,195)	(76,965)
Net cash inflow from operating activities		360,535	887,139

# STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED) (in thousands of Turkmen manat)

	Notes	For the year ended December 31, 2020	For the year ended December 31, 2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment and intangible assets	14	(1,435)	8,977
Proceeds from premises built under a state program	16	2,621	4,531
Purchase of premises built under a state program		(29,202)	(7,766)
(Purchase)/repayment of government bonds	13	(348)	639
Net cash (outflow)/inflow from investing activities		(28,364)	6,381
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of loans received	4	(2,934,123)	(3,997,271)
Proceeds from loans received		2,096,824	2,443,907
Net cash outflow from financing activities		(837,299)	(1,553,364)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(505,128)	(659,844)
Effect of changes in exchange rates on cash and cash equivalents	6	957	(1,206)
CASH AND CASH EQUIVALENTS, at the beginning of the year	10	11,964,214	12,625,264
CASH AND CASH EQUIVALENTS, at the end of the year	10	11,460,043	11,964,214

On behalf of the Management:

  
Jepbarov R.J.  
Chairman of the Board

September 20, 2021  
Ashgabat, Turkmenistan



  
Myradova E.  
Chief Accountant

September 20, 2021  
Ashgabat, Turkmenistan

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